

FISCAL NOTE

SB 1484 - HB 864

March 23, 2001

SUMMARY OF BILL:

- Raises the state tax on interstate telecommunications services from 3.5% to 6%. The additional revenue from the tax is to be placed in the Telecommunications Ad Valorem Tax Reduction Fund established in this act.
- Provides a credit to interstate telecommunications companies against franchise taxes and excise taxes for ad valorem property taxes paid to local governments. The credit would be allowed against franchise and excise tax liability for tax years ending on or after December 31, 2002.
- Exempts from sales tax the purchase of industrial machinery by companies providing interstate telecommunications services.
- Creates the Telecommunications Ad Valorem Tax Reduction Fund in the State Treasury. All monies allocated to the fund shall be used solely and exclusively for the purpose of providing funds to pay the credits or refunds allowed under the provisions of the bill. Interest earned on investment of monies in the fund shall be deposited in and credited to the fund. Unexpended monies in the fund at the close of each fiscal year shall remain in the fund.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Net Impact - \$4,780,000

**Increase State Expenditures - \$79,000 Recurring
Exceeds \$100,000 One-Time**

Decrease Local Govt. Expenditures - \$750,000

Estimate assumes the following:

- Based on information provided by the Department of Revenue from the 1997 Economic Census, industrial machinery purchases made by companies legally permitted to offer interstate telecommunications services are estimated to be \$133,000,000 per year.
- The net impact to state revenues is estimated to be a decrease in state revenues of \$4,780,000 annually which is calculated as follows:
 - Increased State Revenues
\$5,200,000 increased revenue from increasing the tax rate from 3.5% to 6% on interstate telecommunications services.
 - Decreased State Revenues
\$7,980,000 state sales tax loss from industrial machinery exemption provisions of the bill. ($\$133,000,000 \times 6\% = \$7,980,000$)
\$2,000,000 excise tax loss resulting from industrial machinery credit provisions of the bill.
- The total increase in state expenditures is estimated to be:
 - \$79,000 on a recurring basis for two additional positions in the audit division;
 - one-time cost resulting from MIS System modification costs and one-time costs associated with two additional positions being added in the audit division.
- A decrease in local government revenues of \$750,000 due to the sales tax exemption provisions of interstate telecommunications equipment outlined in the bill.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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